

### **REMARKS**

Claims 1-9, 11-16, 18-27, 29-34 and 36-46 are pending. Claims 1-5, 12, 19-23 and 30 were amended to more particularly point out and distinctly claim the present invention and to clarify an inherent feature of the present invention. Claims 10, 17, 28 and 35 were canceled.

No new matter was added by the amendments. The canceled dependent claims and the specification fully describe an embodiment of the present invention wherein a Section 412(i) qualified defined benefit pension plan is created. See, for example, canceled claims 10, 17, 28 and 35, and paragraphs [0003]-[0011] of the specification. The inherent purpose of the “separate agreement” is to enable a guaranty of the plan benefits. See, for example, paragraph [0029] of the specification. The claims now explicitly recite this purpose.

New claims 37-46 were added to further define the present invention. No new matter was added in these claims. All of the steps and elements of claims 37-46 were previously recited in original claims 1-36. For example, all of the steps and elements in claims 37 and 42 were recited in original claims 11 and 29, respectively.

Withdrawal of all objections and rejections of the originally filed claims are respectfully requested for at least the reasons set forth below.

### ***Second Supplemental Information Disclosure Statement***

Applicants request formal consideration of U.S. Patent No. 5,926,800 (Barnowski et al.) and 6,161,096 (Bell) described on page 8 of the outstanding Office Action. Neither of these references were listed on any PTO-892 or PTO/SB/08A in the application file. Applicants have submitted a Second Supplemental Information Disclosure Statement concurrently with this amendment for formal consideration of these two references.

### ***Examiner Interview***

Applicant wishes to thank Examiner Karmis and Primary Examiner Hani Kazimi for extending the courtesy of a personal interview in respect to this application on April 19, 2004 with Applicant and Applicants' undersigned representative. During the interview, previously

faxed Draft Remarks were discussed. With respect to the rejections under 35 U.S.C. § 102(e) and § 103, no agreement was reached regarding the patentability of the claims over the newly applied reference, Ryan '859. However, the Examiner agreed to review the arguments that highlight the significant differences between the claimed invention and Ryan '859 upon formal submission of a response.

Agreement was reached that the 35 U.S.C. § 112, second paragraph, rejection will be withdrawn.

### ***Prior Art Rejections***

Claims 1-36 were rejected under 35 U.S.C. § 102(e)/103 as allegedly being anticipated by or unpatentable over U.S. Patent No. 6,304,859 (Ryan et al.), hereafter, "Ryan."

#### **1. Present Invention**

A defined benefit pension plan, such as a plan described in Internal Revenue Code Section 412(i), is created using variable life insurance contracts and/or variable annuity contracts. Actuarial data used to create the defined benefit pension plan is entered via at least one user interface and processed. Based on the actuarial data, a variable life insurance policy and/or a variable annuity policy is generated for the purpose of funding the defined benefit pension plan. Additionally, a separate agreement is created that either extra-contractually modifies the variable life insurance policy and/or the variable annuity policy, or defines the terms under which the variable life insurance policy and/or the variable annuity policy is to be used in the defined benefit pension plan. Thus, a mechanism is provided to avoid violation of the Internal Revenue Service "incidental benefit rule" and to provide a guaranteed rate of return such that the variable life insurance contracts and/or the variable annuity contracts can be used in a plan described in a retirement plan, including a plan described in Code section 412(i).

Prior to the present invention, it was not known how such plans and policies funding such plans could be modified to use variable life insurance products and/or variable annuities where the plans required or desired a guaranteed benefit at normal retirement age. The present invention accomplishes this goal by describing a novel and unobvious business process by which

specific modifications are made to the policies and plan, thus creating new modified policies and plans.

## 2. Ryan

Ryan discloses a process that allows an individual/employee to fund a variable life insurance policy using two sources of funds. Specifically, one portion of the policy premium comes from a taxable benefit paid by an employer to the employee. The remaining portion comes from a loan taken out of an employee benefit plan governed by ERISA. An example of the process is described in column 3, line 47 through column 4, line 13 of Ryan, which reads as follows (underlining added for emphasis):

The following is a simple example of the operation of the ISOP™ plan. The employer pays the employee \$100 of tax-deductible compensation, comprising \$56 of insurance premium and \$44 of income tax withholding (assuming a 44% tax rate). The \$56 received from the employer is used as part of the premium payment to purchase an individual variable life contract with a premium of \$100 from Insurance Carrier A. The employee is not out-of-pocket any incremental tax from the transaction at this step. Still, to give economic results comparable to, for example, a 401(k) plan, the after-tax cash available to invest inside the insurance contract must be \$100. As a result, another \$44 of premium needs to be generated to be paid to Insurance Carrier A. The additional premium comes from an employee benefit plan governed by ERISA. The ERISA plan borrows \$44 from Bank B (which is paid to Insurance Carrier A) and uses the insurance policy as security for the lending bank, Bank B. The entire policy cash value can be used as collateral. Thus, the ERISA plan contributes the \$44 as the second part of the insurance premium. Of course, during operation of the plan, Bank B needs to be paid interest on the loan; assume the interest is \$4. Also assume that the employer chooses to accept responsibility for making the interest payments (e.g., contingent upon the employee's continued employment). The employer then notionally pays the employee \$7, of which \$4 is paid to the ERISA plan and becomes the ERISA plan contribution (which is then paid to Bank B as the interest payment) and \$3 is income tax withholding. At plan termination, the employee receives the policy surrender value of the insurance contract issued by Insurance Carrier A, less the amount needed to repay the loan to Bank B. It will be understood that variations on this example will still fall within the principles of the ISOP™ plan, e.g., the interest payments could be left to the employee.

Ryan's process thus uses an ERISA plan to partially fund variable life insurance policies owned by employees. The variable life insurance policies created in Ryan are not being used in any manner to fund the ERISA plan.

### 3. Patentability of Independent Claims over Ryan

In contrast to Ryan, the presently claimed invention generates a variable life insurance policy or variable annuity policy which is used to fund a defined benefit pension plan. See step (b) of exemplary independent claims 1-5 and 12. Ryan's ERISA plan is not funded by the variable life insurance policies.

Furthermore, Ryan does not describe any details of the ERISA plan. Nor are any such details necessary to be described in Ryan since the purpose of Ryan's process is not to create or fund an ERISA plan, but to use an existing ERISA plan to partially fund a variable life insurance policy. In contrast to Ryan, the purpose of the presently claimed invention is to create a defined benefit pension plan funded using variable life insurance contracts or variable annuity contracts (see the preamble of exemplary independent claims 1-5 and 12).

In addition, an ERISA plan is not by definition a defined benefit pension plan. A defined benefit pension plan is a retirement plan sponsored by an employer, such as a pension plan, in which a retired employee receives a specific monetary disbursement based on salary history and years in service, or both, as described on page 1, lines 13-15 of the present specification. An ERISA plan is merely any plan that is created in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). However, even if the ERISA plan in Ryan could potentially be a defined benefit pension plan, Ryan still does not disclose or suggest creating such a plan using the variable life insurance contract described in Ryan which is the concept of the present invention. Again, the ERISA plan in Ryan is presumed to already exist when implementing Ryan's process and is unchanged by the process, except for the borrowing that occurs against it to partially fund the variable life insurance policy and the collateral that it receives for making the loan (the insurance policy is used as security).

In Ryan, the variable life insurance policy is owned by the employee. The ERISA plan does not include the policy. In contrast to Ryan, the claimed pension plan includes the policy (see last clause in exemplary independent claims 1-5 and 12).

Ryan's ERISA plan is a non-qualified benefit plan. See column 3, lines 26-27 and 32-36 of Ryan which specifically describes the advantages of the non-qualified plan in the context of Ryan's invention. In contrast to Ryan, claims 1-5, 12, 19-23 and 30 create a qualified benefit plan.

Ryan also has no "separate agreement" that modifies the variable life insurance policy. The Examiner refers to column 9, lines 18-65 as allegedly disclosing this feature. However, this portion of Ryan discusses how to make sure that the 7-pay test is met for a given combination of premium structure and face amounts for the variable life insurance policy. This has nothing whatsoever with modifying the policy itself. The 7-pay test is a requirement of IRC Section 7702A(b), attached hereto as Appendix B.

With respect to new independent claims 37 and 42 and dependent claims 11, 18, 29 and 36, the Examiner refers to column 3, lines 23-31 of Ryan as allegedly disclosing the allocation of funds contributed to the defined benefit pension plan between a General Account and a Variable Account. However, this portion of Ryan merely describes the process of allocating the purchase costs of a variable life insurance policy between an employer contribution and a loan payment from the ERISA plan. This has nothing whatsoever to do with allocating funds to the ERISA plan, or with allocating funds contributed to a defined benefit pension plan between a General Account and a Variable Account.

Appendix A summarizes key differences between Ryan and the pending claims, and highlights specific claim language that recites each difference.

In sum, Ryan has nothing whatsoever to do with the presently claimed invention and does not disclose or suggest each and every element or step in any of the independent claims.

#### 4. Patentability of Dependent Claims

The dependent claims are believed to be allowable because they depend upon respective allowable independent claims, and because they recite additional patentable steps and elements.

*Conclusion*

Insofar as the Examiner's rejections were fully addressed, the instant application is in condition for allowance. Issuance of a Notice of Allowability of all pending claims is therefore earnestly solicited.

Respectfully submitted,

**JOHN J. KORESKO V**

June 11, 2004 By: Clark Jablon  
(Date) **CLARK A. JABLON**  
Registration No. 35,039  
**AKIN GUMP STRAUSS HAUER & FELD LLP**  
One Commerce Square  
2005 Market Street, Suite 2200  
Philadelphia, PA 19103-7013  
Telephone: 215-965-1200  
**Direct Dial: 215-965-1293**  
Facsimile: 215-965-1210  
E-Mail: cjablon@akingump.com

CAJ:vlb